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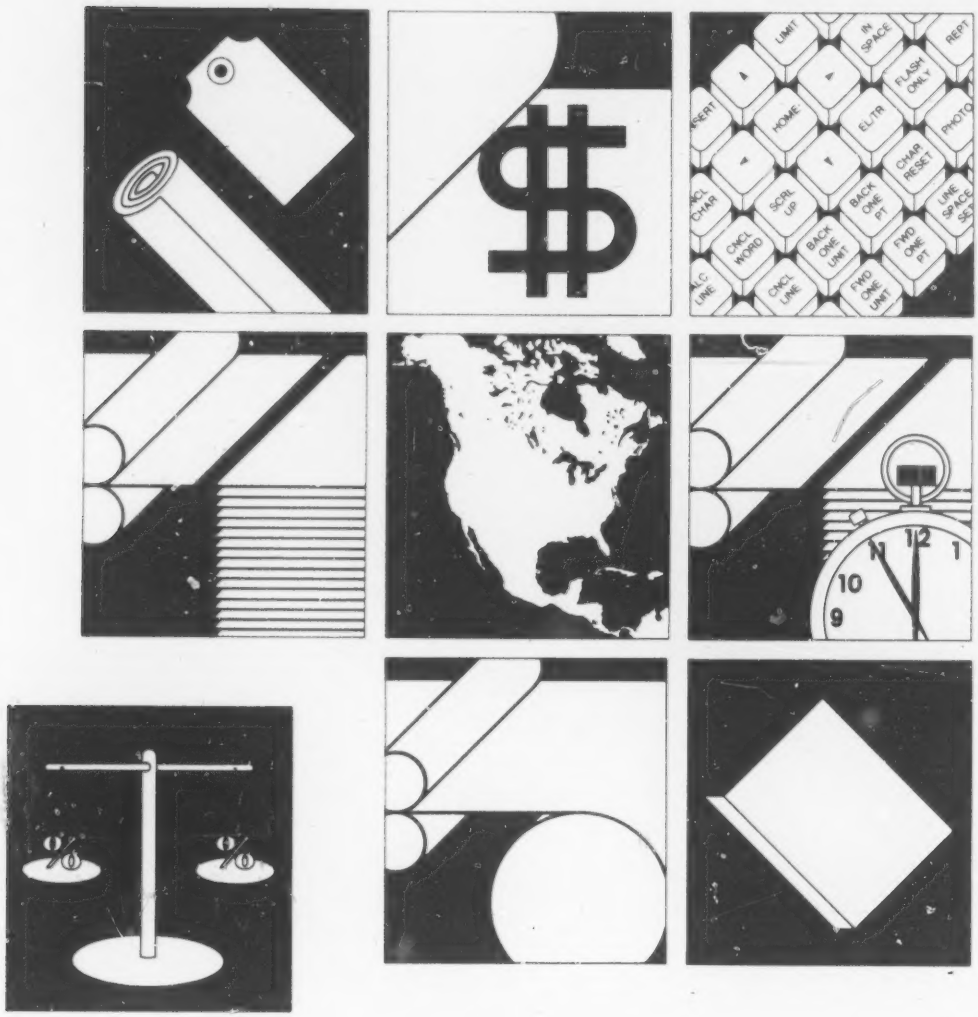
PPA INC

FINANCIAL SERVICES

1985 Financial Ratio Study



Volume XIV
Quick Printers

ABOUT PIA...

Printing Industries of America, Inc., is a federation of national, regional, state, and city associations composed of over 12,000 graphic arts firms. PIA and its affiliated associations comprise the largest trade association in the world dedicated to serving the interests of the graphic arts community. Membership in one of PIA's Affiliated Associations automatically entitles an organization PIA membership.

PIA's Financial Services offers the following products and services:

- PrintFinance: PIA in conjunction with Merrill Lynch brings you an innovative, comprehensive financial package called PrintFinance, available only from PIA Financial Services. PrintFinance is a unique competitively priced financial services package developed especially for the printing industry and allied graphic arts firms.
- The Annual PIA Financial Ratio Study - A Multinational Financial Survey
- Money Manager - A Monthly Financial newsletter with an exclusive print activity forecast: PrintOutlook
- Reprints of "Economics and Financial Management" articles from issues of PIA Management News
- Financial Management/Investment Banking Seminars
- Production Profit Target Program: production guidelines for sheetfed presses, web presses, bindery, and prepress equipment

For further information, contact:

William A. Rose, II
Director, PIA Financial Services
1730 North Lynn Street
Arlington, Virginia 22209
703/841-4805

PIA's Education and Publication Services is active in financial management, offering numerous publications on the subject:

- Best & Worst Markets for Printers in the 1980's (a unique marketing and financial planning aid, available by subscription directly from PIA)
- Cost Accounting for the Job Order Printer
- Graphic Arts Estimating, Volume I
- Money Making Guide to Printing Estimating, revised edition
- Running in the Black: Six Steps to Managing Printing Profitability
- Sales Compensation in the Printing Industry - 1983
- Simplified Cost System
- Tax Planning for Your Graphic Arts Business
- Understanding Value Added
- Value Added Financial Management: A Guide for Printers
- 1981–82 Production Management Compensation Survey
- 1983 Survey of Sales Management: Practices and Compensation

Members may obtain these books through their PIA Affiliated Associations' Graphic Arts Bookstores, or by calling 1-800/PIA-DATA. Available free upon request from PIA is PrintCatalog, a comprehensive listing of all the publications and programs offered by all components of PIA. For further information about how to order or about the contents of publications, contact:

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Volume XIV: Quick Printers

An Annual Financial Survey Conducted By:
PIA Financial Services
1730 North Lynn Street
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PRINTING INDUSTRIES OF AMERICA, INC.

1730 North Lynn Street, Arlington, VA 22209 (703) 841-4805

Dear Colleague:

1985 is the 62nd year in which Printing Industries of America, Inc. has collected and published detailed financial ratio information for members of the graphic arts community. The data presented each year provide a detailed and comprehensive picture of the financial status of the major segments of the graphic arts industries in the U.S., Canada, and throughout the world. In addition, it allows individual firms to compare their annual performance with that of many other similar firms, including those which earn well above-average profits. Ratio results are published annually. They are summarized as follows:

- Management Guide to the PIA Ratios
- All Printers by Sales Volume
- All Printers by Product Specialty
- All Printers by Geographic Area
- Sheetfed Printers by Size and Geographic Area
- Web Offset Printers — Heatset
- Web Offset Printers — Non-Heatset
- Combination Offset — Sheetfed/Web
- Book Manufacturers' Ratios
- Large Printers' Ratios
- Typographers' Ratios
- Preparatory Specialists' Ratios
- Binders' Ratios
- Quick Printers

For a more complete composite picture of your company's performance relative to the industry as a whole, several books could be used in your analysis, such as one of the overview volumes, e.g., *All Printers by Sales Volume*, and one that addresses your particular business segment or production process, e.g., *Book Manufacturers or Web Offset — Heatset*, respectively. Alternatively, such analysis is facilitated by participating in the Ratio Study each year and ordering an individual company computer printout which compares a participant's ratios to those of companies which are similar in size and sales volume, produce the same products, and use the same manufacturing process.

Please refer your questions on the PIA Ratio Study to your nearest local PIA affiliated association or to me at the address above.

William A. Rose, II
Director, PIA Financial Services

Dear Quick Printers:

In the accompanying pages are the 1985 PIA FINANCIAL RATIOS FOR QUICK PRINTERS who participated in the 1985 Ratio Studies. This Ratio Study was developed on the basis of questionnaires volunteered by 24 firms and presents the ratios and statistics of Quick Printers by sales volume.

Thus the user of the report can direct himself to the standards for his sales size — for example, sales to $250,000, sales from $250,000 to $500,000, etc. Readers can compare the data from their own firm's financial statements with similar data from other firms in four areas: Operations based on Sales and its Supporting Schedules, Balance Sheet Ratios, Significant Facts, and Return on Investment.

We strongly believe in the importance of sharing this type of information among members of the graphic arts community and are proud to have played a role in these studies.

H.R. Margolis Company
Certified Public Accountants
Bala Cynwyd, Pennsylvania

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The American Quick Printing Association (AQPA), a special industry group of Printing Industries of America, Inc., represents quick printers. AQPA provides information and services of special interest and benefit to the quick printing segment of our industry.

AQPA endorses the annual PIA Financial Ratio Study and encourages it's use. If you would like more information about the AQPA, please do not hesitate to contact me.

David F. Bacon
Executive Director, AQPA
President, PIAS

The Printing Industry Association
of the South, Inc. (PIAS)
1000 17th Avenue, South
Nashville, TN 37212
615/327-4444

REPORT ON OPERATIONS - SALES = 100%

	ALL FIRMS REPORTING		SALES TO $250,000**
	ALL FIRMS	PROFIT LEADERS*	ALL FIRMS
SALES OR VALUE OF PRODUCT PRODUCED	100.00%	100.00%	100.00%
FACTORY COST OF PRODUCT			
MATERIALS			
Paper	16.95	19.74	16.77
Other chargeable materials	4.21	4.18	3.06
Outside services	13.62	8.21	14.75
TOTAL MATERIALS	34.78	32.13	34.58
FACTORY PAYROLL	20.28	22.92	17.95
FACTORY EXPENSES	17.07	13.09	18.38
TOTAL FACTORY COST OF PRODUCT	72.13	68.14	70.91
GROSS PROFIT	27.87	31.86	29.09
ADMINISTRATIVE AND SELLING EXPENSES			
Administrative expenses	14.49	11.95	16.91
Selling expenses	7.08	8.88	7.22
TOTAL ADMINISTRATIVE AND SELLING EXPENSES	21.57	20.83	24.13
INCOME BEFORE INTEREST EXPENSE	6.30	11.03	4.96
Interest expense	1.84	1.53	2.84
OPERATING INCOME	4.46	9.50	2.12
Other income (expense)	0.05	0.92	0.48
INCOME BEFORE INCOME TAXES	4.51	10.42	2.60

SUPPORTING SCHEDULES - SALES = 100%

OTHER CHARGEABLE MATERIALS			
Ink	0.68%	0.56%	0.48%
Film	0.77	0.03	0.70
Plates	1.23	1.59	0.91
Other chargeable materials	1.53	2.00	0.97
TOTAL OTHER CHARGEABLE MATERIALS	4.21	4.18	3.06
OUTSIDE SERVICES			
Composition	1.50	0.78	2.23
Offset preparation	1.66	0.33	1.66
Printing	6.86	6.06	8.94
Binding	0.73	0.76	0.69
Other outside services	2.87	0.28	1.23
TOTAL OUTSIDE SERVICES	13.62	8.21	14.75

* "Profit Leaders" are those firms which earned 8% or greater pretax profits on sales.
** Sample insufficient for Profit Leaders.

SALES FROM $250,000-$500,000		SALES FROM $500,000-$1,500,000	
ALL FIRMS	PROFIT LEADERS	ALL FIRMS	PROFIT LEADERS
100.00%	100.00%	100.00%	100.00%
18.01	28.18	17.23	16.49
3.68	4.61	4.34	4.12
18.71	12.23	8.74	5.81
40.40	45.02	30.31	26.42
16.50	14.96	26.51	27.15
16.45	11.30	16.03	14.90
73.35	71.28	72.85	68.47
26.65	28.72	27.15	31.53
13.94	10.06	13.02	13.59
6.41	5.67	7.08	8.14
20.35	15.73	20.10	21.73
6.30	12.99	7.05	9.80
1.48	0.89	1.26	0.81
4.82	12.10	5.79	8.99
(0.54)	0.72	0.41	0.75
4.28	12.82	6.20	9.74
0.85%	0.49%	0.72%	0.62%
0.44	0.00	0.74	0.04
0.89	0.84	1.97	2.02
1.50	3.28	0.91	1.44
3.68	4.61	4.34	4.12
1.20	0.00	1.43	1.46
3.14	0.00	0.28	0.62
7.73	12.23	4.77	1.78
0.15	0.00	1.45	1.43
6.49	0.00	0.81	0.52
18.71	12.23	8.74	5.81

SUPPORTING SCHEDULES - SALES = 100%

	ALL FIRMS REPORTING		SALES TO $250,000**
	ALL FIRMS	PROFIT LEADERS	ALL FIRMS
FACTORY PAYROLL			
Salaries - executive	1.90%	3.56%	2.72%
Direct wages	15.34	15.43	13.20
General factory salaries and wages	0.32	1.01	0.00
Packing, shipping and delivery wages	0.61	0.58	0.15
Payroll taxes	1.18	1.40	0.94
Employee benefits	0.93	0.94	0.94
TOTAL FACTORY PAYROLL	20.28	22.92	17.95
FACTORY EXPENSES			
Fixed Expenses			
Depreciation - real estate	0.05	0.04	0.00
Depreciation - other	4.17	3.18	5.61
Taxes - real estate	0.08	0.02	0.03
Taxes - other	0.15	0.09	0.06
Insurance	0.78	0.67	0.94
Building rent	4.05	2.92	5.21
Utilities - heat, light, etc.	1.01	0.64	1.45
Equipment rental	2.45	1.96	1.52
Total Fixed Expenses	12.74	9.52	14.82
Other Expenses			
Factory supplies and expense	1.09	1.17	0.72
Packing, shipping and delivery expense	0.96	1.07	0.56
Repairs and maintenance	1.84	1.16	1.86
Other factory expenses	0.44	0.17	0.42
Total Other Expenses	4.33	3.57	3.56
TOTAL FACTORY EXPENSES	17.07	13.09	18.38
ADMINISTRATIVE EXPENSES			
Salaries - executive	6.71	5.11	7.95
Salaries - office	2.55	2.05	3.40
Payroll taxes	0.67	0.35	1.15
Employee benefits	0.41	0.50	0.53
Bad debts	0.41	0.53	0.13
Office supplies and expenses	0.71	0.55	0.77
Professional fees	0.80	0.74	0.50
Taxes - business	0.29	0.20	0.42
Telephone	0.80	0.61	1.24
Other administrative expenses	1.14	1.31	0.82
TOTAL ADMINISTRATIVE EXPENSES	14.49	11.95	16.91
SELLING EXPENSES			
Salaries - executive	1.86	2.29	3.10
Salaries and commissions - salesmen	1.05	1.85	0.13
Salaries - sales office clerical	0.41	1.03	0.00
Payroll taxes	0.18	0.31	0.10
Employee benefits	0.08	0.12	0.06
Advertising	1.54	1.54	1.62
Travel and entertainment	0.64	0.77	0.67
Other selling expenses	1.32	0.97	1.54
TOTAL SELLING EXPENSES	7.08	8.88	7.22

** Sample insufficient for Profit Leaders.

SALES FROM $250,000-$500,000		SALES FROM $500,000-$1,500,000	
ALL FIRMS	PROFIT LEADERS	ALL FIRMS	PROFIT LEADERS
0.78%	3.10%	2.37%	2.64%
13.47	9.18	19.67	19.87
0.07	0.00	0.90	1.76
0.46	1.12	0.90	0.19
0.91	0.53	1.65	1.79
0.81	1.03	1.02	0.90
16.50	14.96	26.51	27.15
0.00	0.00	0.14	0.07
3.31	2.98	3.61	3.22
0.12	0.00	0.07	0.03
0.12	0.00	0.23	0.09
0.76	1.10	0.71	0.49
3.43	1.76	3.80	3.53
0.85	0.40	0.82	0.71
4.08	2.41	1.62	2.23
12.67	8.65	11.00	10.37
0.91	0.56	1.48	1.76
1.05	1.30	1.16	1.16
1.23	0.64	2.15	1.38
0.59	0.15	0.24	0.23
3.78	2.65	5.03	4.53
16.45	11.30	16.03	14.90
6.49	1.89	6.25	6.96
2.12	3.14	1.80	1.79
0.46	0.18	0.48	0.42
0.19	0.01	0.52	0.82
0.79	0.95	0.25	0.46
0.55	0.60	0.81	0.49
0.97	0.64	0.86	0.58
0.05	0.20	0.44	0.25
0.73	0.79	0.53	0.55
1.59	1.66	1.08	1.27
13.94	10.06	13.02	13.59
0.81	1.00	1.91	1.45
0.23	0.00	1.91	3.01
0.31	1.23	0.86	1.19
0.09	0.17	0.28	0.28
0.01	0.00	0.13	0.11
2.01	1.34	1.12	1.25
0.82	1.65	0.40	0.53
2.13	0.28	0.47	0.32
6.41	5.67	7.08	8.14

BALANCE SHEET

	ALL FIRMS REPORTING		SALES TO $250,000**
	ALL FIRMS	PROFIT LEADERS	ALL FIRMS
ASSETS			
CURRENT ASSETS			
Cash	14.15%	24.42%	13.22%
Receivables	30.03	31.98	22.72
Inventories	7.90	7.05	6.21
Other current assets	7.39	11.53	7.78
TOTAL CURRENT ASSETS	59.47	74.98	49.93
FIXED ASSETS			
Real estate	2.52	2.26	0.00
Less: Accumulated depreciation	0.25	0.09	0.00
	2.27	2.17	0.00
Machinery and equipment	73.35	56.85	100.46
Less: Accumulated depreciation	42.96	38.90	57.65
	30.39	17.95	42.81
Other fixed assets	10.92	9.35	13.51
Less: Accumulated depreciation	5.34	6.25	6.57
	5.58	3.10	6.94
NET FIXED ASSETS	38.24	23.22	49.75
OTHER ASSETS	2.29	1.80	0.32
TOTAL ASSETS	100.00	100.00	100.00
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Notes payable	10.20	7.52	13.96
Accounts payable	15.46	13.35	10.16
Other current liabilities	5.63	8.58	6.05
TOTAL CURRENT LIABILITIES	31.29	29.45	30.17
LONG-TERM LIABILITIES	29.86	9.26	46.22
TOTAL LIABILITIES	61.15	38.71	76.39
SHAREHOLDERS' AND PROPRIETORS' EQUITY	38.85	61.29	23.61
TOTAL LIABILITIES AND EQUITY	100.00	100.00	100.00

BALANCE SHEET RATIOS

CURRENT RATIO	1.90	2.55	1.65
QUICK RATIO	1.65	2.31	1.45
TOTAL LIABILITIES TO EQUITY	1.57	0.63	3.24
LONG-TERM LIABILITIES TO EQUITY	0.77	0.15	1.96
ACCUMULATED DEPRECIATION - MACHINERY AND EQUIPMENT TO TOTAL MACHINERY AND EQUIPMENT	0.59	0.68	0.57

** Sample insufficient for Profit Leaders.

SALES FROM $250,000-$500,000		SALES FROM $500,000-$1,500,000	
ALL FIRMS	PROFIT LEADERS	ALL FIRMS	PROFIT LEADERS
14.74%	9.16%	15.36%	24.66%
41.12	57.28	25.82	23.55
9.35	12.05	8.00	6.32
1.30	0.00	13.98	19.67
66.51	78.49	63.16	74.20
1.02	0.00	6.54	3.95
0.00	0.00	0.75	0.16
1.02	0.00	5.79	3.79
63.45	61.24	60.71	46.95
40.70	39.95	35.87	31.98
22.75	21.29	24.84	14.97
6.51	0.00	11.70	14.61
1.96	0.00	6.88	10.06
4.55	0.00	4.82	4.55
28.32	21.29	35.45	23.31
5.17	0.22	1.39	2.49
100.00	100.00	100.00	100.00
10.59	8.66	6.30	7.85
27.34	25.28	9.33	7.25
5.83	15.82	4.92	5.92
43.76	49.76	20.55	21.02
29.60	1.04	15.28	5.64
73.36	50.80	35.83	26.66
26.64	49.20	64.17	73.34
100.00	100.00	100.00	100.00
1.52	1.58	3.07	3.53
1.31	1.34	2.68	3.23
2.75	1.03	0.56	0.36
1.11	0.02	0.24	0.08
0.64	0.65	0.59	0.68

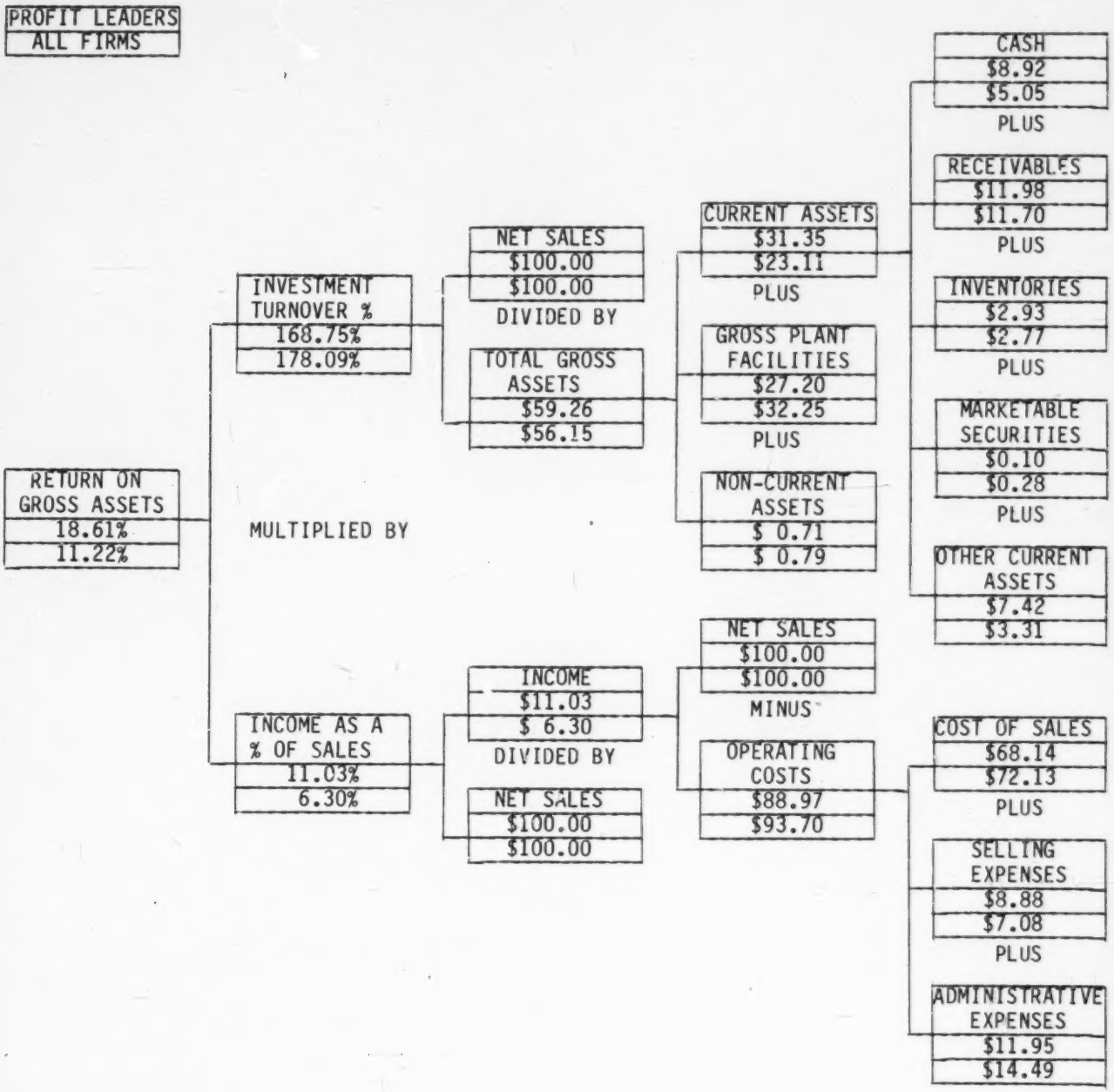
SIGNIFICANT FACTS

	ALL FIRMS REPORTING		SALES TO $250,000**
	ALL FIRMS	PROFIT LEADERS	ALL FIRMS
INVESTMENT			
Average assets per employee - All employees	$ 24,386	$ 22,400	$ 17,539
Average assets per factory employee (Excluding Executives)	45,083	34,580	34,407
Average net worth per employee - All employees	8,604	14,505	3,105
Average gross plant investment per factory employee (Excluding Executives)	34,328	21,874	44,085
Net worth percentage of fixed assets	233.88%	532.49%	81.84%
EMPLOYEES			
Percent factory - All employees	68.89%	72.77%	66.24%
Percent administrative - All employees	22.73	15.33	26.35
Percent sales - All employees	8.38	11.90	7.41
SALES - VALUE OF PRODUCT PRODUCED INCLUDING EXECUTIVES			
Sales per employee - All employees	$ 61,595	$ 56,269	$ 52,872
Sales per factory employee	102,371	78,138	90,100
Sales less material per factory employee	60,359	52,029	59,740
Sales per administrative employee	345,062	408,081	324,091
EXCLUDING EXECUTIVES			
Sales per employee - All employees	92,614	68,745	82,925
Sales per factory employee	111,980	87,641	112,426
Sales less material per factory employee	66,097	58,127	72,908
SALES PER SALESMAN	228,158	139,209	0
SALES TO CURRENT ASSETS	528%	374%	690%
PAYROLL - INCLUDING TAXES AND BENEFITS INCLUDING EXECUTIVES			
Total payroll percentage of sales	34.20%	36.52%	34.36%
Factory payroll percentage of gross plant investment	84.84	124.90	60.88
Payroll per employee - All employees	$ 19,905	$ 19,942	$ 17,873
Payroll per factory employee	16,792	17,110	14,696
Payroll per administrative employee	26,908	31,761	19,175
Payroll per sales employee	16,875	27,712	5,810
PAYROLL - EXCLUDING TAXES AND BENEFITS EXCLUDING EXECUTIVES			
Payroll per employee - All employees	$ 14,877	$ 14,234	$ 13,359
Payroll per factory employee	14,355	13,741	13,087
Payroll per administrative employee	10,122	14,295	6,201
Payroll per sales employee	7,313	12,644	952
EXECUTIVE PAYROLL			
Payroll per executive - All executives	31,049	41,383	19,356
Payroll per factory executive	17,393	38,568	6,306
Payroll per administrative executive	30,746	42,404	16,317
Payroll per sales executive	14,746	24,302	6,124
RECEIVABLES			
Collection period	43.6	44.3	26.7
PROFIT			
Gross profit percentage of sales	27.87%	31.86%	29.09%
Average gross profit per factory employee	$ 30,573	$ 28,180	$ 33,797
Income before taxes percentage of sales	4.51%	10.42%	2.60%
Average income before taxes per employee	$ 2,498	$ 5,883	$ 1,330

** Sample insufficient for Profit Leaders.

SALES FROM $250,000-$500,000		SALES FROM $500,000-$1,500,000	
ALL FIRMS	PROFIT LEADERS	ALL FIRMS	PROFIT LEADERS
$ 30,780	$ 22,692	$ 24,044	$ 24,620
64,088	36,018	36,042	35,616
6,843	11,758	15,036	18,299
33,752	22,823	26,356	20,342
146.85%	216.33%	474.60%	788.85%
65.08%	71.03%	75.91%	76.04%
28.01	20.85	14.46	12.82
6.91	8.12	9.63	11.14
$ 75,992	$ 65,380	$ 55,586	$ 54,375
140,317	91,628	76,703	72,899
68,217	49,532	52,375	53,521
279,698	319,201	439,265	474,699
130,088	77,685	67,602	62,188
143,295	103,541	82,613	77,302
69,725	55,564	56,266	56,737
274,213	0	139,209	139,209
463%	372%	447%	343%
27.21%	22.58%	40.67%	43.20%
80.87	76.86	114.66	159.77
$ 19,075	$ 14,249	$ 22,407	$ 23,479
16,997	13,463	18,612	19,264
23,895	16,734	36,603	42,751
7,700	8,269	33,835	39,193
$ 15,310	$ 10,998	$ 15,593	$ 16,908
14,923	10,429	15,131	16,111
9,552	13,497	12,920	16,602
4,083	5,500	13,560	17,710
24,940	26,144	45,909	53,630
7,497	29,987	34,727	46,783
24,437	24,129	47,525	56,425
6,381	15,000	27,498	29,312
58.9	68.7	42.5	39.3
26.65%	28.72%	27.15%	31.53%
$ 34,124	$ 29,553	$ 23,964	$ 24,950
4.28%	12.82%	6.20%	9.74%
$ 2,449	$ 8,044	$ 3,451	$ 5,321

RETURN ON INVESTMENT CHART - BASE: $100 OF SALES



	SALES TO $250,000**	SALES FROM $250,000-$500,000		SALES FROM $500,000-$1,500,000	
	ALL FIRMS	ALL FIRMS	PROFIT LEADERS	ALL FIRMS	PROFIT LEADERS
INVESTMENT					
Current Assets:					
Cash	$ 3.89	$ 5.28	$ 3.96	$ 6.14	$ 9.80
Receivables	7.12	16.11	18.83	11.33	10.50
Inventories	1.71	2.98	4.93	3.43	2.66
Marketable securities	0.87	0.00	0.00	0.09	0.17
Other current assets	1.38	0.42	0.00	8.27	12.85
	14.97	24.79	27.72	29.26	35.98
Plant Investment:					
Land and building	0.00	0.20	0.00	2.65	1.74
Machinery and equipment	33.06	22.00	23.65	25.82	20.58
Other fixed assets	5.11	2.89	0.00	5.17	6.74
	38.17	25.09	23.65	33.64	29.06
Non-Current Assets	0.09	1.68	0.06	0.61	1.05
TOTAL INVESTMENT	53.23	51.56	51.43	63.51	66.09
INVESTMENT TURNOVER PER $100 OF SALES	187.86%	193.95%	194.44%	157.46%	151.31%
EARNINGS					
Cost of Product	$70.91	$73.35	$71.28	$72.85	$68.47
Selling Expenses	7.22	6.41	5.67	7.08	8.14
Administrative Expenses	16.91	13.94	10.06	13.02	13.59
	95.04	93.70	87.01	92.95	90.20
Income Before Interest, Other Income (Expense), and Taxes	4.96	6.30	12.99	7.05	9.80
RETURN ON INVESTMENT - INVESTMENT TURNOVER X INCOME	9.32%	12.22%	25.26%	11.10%	14.83%

** Sample insufficient for Profit Leaders.

ABSOLUTE DATA

	NUMBER OF PARTICIPATING FIRMS	AVERAGE FIRM REPORTING** TOTAL ASSETS	SALES OR VALUE OF PRODUCTION	TOTAL INCOME
TOTAL - ALL FIRMS	24	$231,000	$551,000	$33,000
TOTAL - PROFIT LEADERS*	7	309,000	700,000	72,000
BY SIZE OF FIRM				
ALL FIRMS				
0-$250,000	7	53,000	162,000	5,000
$250,000-$500,000	8	137,000	366,000	18,000
$500,000-$1,500,000	8	370,000	820,000	56,000
PROFIT LEADERS				
$250,000-$500,000	2	156,000	430,000	56,000
$500,000-$1,500,000	4	446,000	955,000	93,000

HOW THE NUMBERS ARE COMPUTED

The PIA Ratios are computed by the method of relative or common size. With this method each company's dollars are converted into a percentage to the total. Then these percentages are added in total and within a given sales class. This is a very simple way of avoiding what is known as self-weighting when various magnitudes are involved. With this method each company is given equal weight regardless of its size.

The following example illustrates how this calculation process eliminates the problem of the ratios giving inordinate weight to the results of very large firms.

Firm	Sales	Factory Payroll	% of Sales: Firm's Ratio Factory Payroll	% of Sales: PIA Ratio Factory Payroll
A	$ 200,000	$ 60,000	30.0%	
B	500,000	100,000	20.0	
C	8,000,000	975,000	12.2	
			62.2% divided by 3 = 20.7%	

* "Profit Leaders" are those firms which earned 8% or greater pretax profits on sales.
** Unlike the ratios shown in this book, these figures are arithmetic averages.

BASIC GUIDE TO USING YOUR QUICK PRINTERS' RATIO STUDY

You have to know where you stand to make accurate decisions concerning your future. This guide to the ratio study, provided by the American Quick Printing Association, will give you a brief explanation of the purpose of the ratio study and a basic procedure to use to assess information about your shop.

The PURPOSE of the Quick Printers' Ratio Study is to serve as a guide to problem areas in your shop which can inhibit your growth and profitability. The study pinpoints:

- Where other quick printers of your sales volume are financially.
- Profit leaders in your sales volume.
- Problem areas, specifically from paper costs to getting a return on your investments, that are not pulling their weight that need attention because they are decreasing your profits.

WHY RATIOS? This financial study is presented in percentage form based on sales. Therefore, convert your statements to percentages of your sales volume to make specific comparisons. The PIA Ratio Study Program utilizes percentages because dollar amounts can vary for each quick printing shop, but percentages with the base of 100% of sales volume provide a common base for more accurate comparison.

BASIC PROCEDURE to use the Quick Printers' Ratio Study is to prepare your Statement of Operations and Balance Sheet, based on your sales volume figure percentages. You can do this, one item at a time comparing each item as you progress...or convert your information at one time, then compare taking special note of problem areas. If you participated in the study, it is a good idea to get your copy of your input and the Chart of Accounts provided by PIA to refresh your understanding of the data.

Compare your percentages to the profit leaders in your sales volume category. If you see a large discrepancey in a particular area, multiply and convert the figures back to dollars, using your sales volume as a base, to get the actual cost of this problem area to your shop. By using this comparison, the study can give you specific direction as to where you can increase your current profits by focusing more effective management controls on areas that are not pulling their weight in your operation.

You now have a standard to investigate and improve your operation. Now that you are familiar with the use of this study, as you participate each year, make it a habit to thoroughly check your shop at least yearly to see how you measure with your peers in each of the categories.

KEEP IN MIND in working with this data, that when you participate, your firm's individual ratios are computed, then combined with individual ratios of other similar firms, rather than being based on a total dollar sum percentage for a group of companies. The result is a more representative ratio of the quick printing industry on a "common size basis"...where your shop is directly reflected and also used to evaluate other operations. A more specific guide, going step-by-step through a sample firm evaluation, is available in the first volume of the PIA Ratio Studies if you decide to perform a more detailed analysis.

HOW DO YOU COMPARE IN NORTH AMERICA?

The Individual Company Computer Printout is a fundamental part of the PIA Financial Ratio Study. It is a detailed, well-organized presentation of key financial information that encompasses every facet of your printing business. It contains data specific to your company that are not available in the published volumes of the study. The Individual Company Computer Printout, designed with you, the busy printing executive in mind, is a concise presentation of:

- Your firm's operating statement;
- Your firm's balance sheet;
- Supporting schedules for your firm's income statement and balance sheet; and
- Your firm's Return on Investment.

In addition:

- Your firm's financial data are expressed in dollars and ratio form;
- The ratios of your printing firm are compared side by side with the ratios of all other ratio study participants and "profit leaders," based on both sales revenue and value added. Ratios of survey participants and "profit leaders" that produce the same products and use the same manufacturing process are also presented for your immediate comparison;
- Using the same presentation format described in the previous item, the ratios of your printing firm are also compared side by side with the ratios of all survey participants and "profit leaders" that are approximately the same size in terms of sales; and
- Finally, "significant facts" statistics are presented to help you gauge where your company stands relative to industry "profit leaders" and the U.S. and Canadian printing industries as a whole.

Because of the detail that the Individual Company Computer Printout contains, it can quickly help you identify those areas and operations of your business that are running efficiently and those that are not. You'll be able to ascertain the seriousness of problems and how much corrective action is necessary. The bottom line is that you can purchase all of these data for a small fraction of what you would have to pay if you generated a similar analysis from scratch.

If you are part of the 1985 database, and have not already done so, I urge you to make the investment. If you are not part of the database, please consider participating in the 1986 PIA Financial Ratio Study and availing yourself of this particular service.

William A. Rose, II
Director, PIA Financial Services